PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

THE WORLD OF COMFORTABLE INVESTING

A QUICK GUIDE

INTRODUCTION

If you are thinking about investing, then this booklet is designed to help lead you through the investment landscape. It's a quick, simple guide to the main investment principles. It can help you determine the type of investor you are and the type of investments you're happy with. Using this guide should help make your investment journey a little easier.

This guide has been written to give you an overview on investing and investments in general. Of course, no investment guide can be a substitute for professional advice. So, once you're finished reading the guide and if you want to explore your options and the investment solutions available on our life and pensions plans in more detail, simply:

VISIT **IRISHLIFE.IE/INVESTMENTS**
OR CONTACT YOUR
FINANCIAL BROKER OR ADVISER

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Information as of April 2017 unless stated.

EXPLORING YOUR INVESTMENT OPTIONS

SECTION 1

EXPLORING YOUR INVESTMENT OPTIONS

Having money on deposit can be a good route to achieving a short-term financial goal, such as having enough money for a holiday, a new car or for a rainy day. Your money can be secure and you usually have easy, instant access to it.

For longer-term financial goals, however, you may want to consider other options. It can be tempting to put off investing when markets are volatile over short periods of time. However, it's important to understand that getting and staying invested is often a better way to smooth your returns over the long-term - shorter term periods of ups and downs could be more than compensated for by long-term opportunities.

It's always sensible to have some money on deposit where you can access it when you need it. Making your way towards a longer term financial goal, such as an early retirement may be more easily and successfully achieved by investing your money over the long-term.

Just like saving money in a deposit account, you can start investing with a relatively small amount of money. You can also invest using a lump sum or a series of regular amounts. The big difference, however, is that the money is used to invest in funds that buy assets such as shares, properties, bonds or commodities. The values of these assets have the potential to grow at a faster rate than inflation. So, the value of your investment has the opportunity to achieve significant growth and generate a higher return for you in the long-term. Please note with investments, your money can rise and fall in value and you may get back less than you invested.

PREPARING FOR YOUR INVESTMENT JOURNEY

SECTION 2

PREPARING FOR YOUR INVESTMENT JOURNEY

Your investing journey does not need to become a voyage into the unknown. Like anything new, you'll come across some new ideas and there could be some unfamiliar terminology. By taking a little time to develop even a basic understanding of how the investment world works, you'll feel much more comfortable in your new surroundings.

During your journey you will get to choose the investments that may suit your financial situation, your investor profile and your financial goals.

BEFORE YOU START, YOU CAN EXPLORE YOUR INVESTMENT NEEDS AND GOALS BY ASKING YOURSELF THESE QUESTIONS.

Question 1

What are your financial goals – what do you want to do with your investment?

Question 2

What is your investment horizon – How long do you want to invest your money for?

Question 3

What is your investor profile? Every investment type has an associated risk so you need to understand the level of risk you're comfortable with. Low risk options tend to have limited potential returns, whereas taking some risk could generate a better return over the long-term.

Question 4

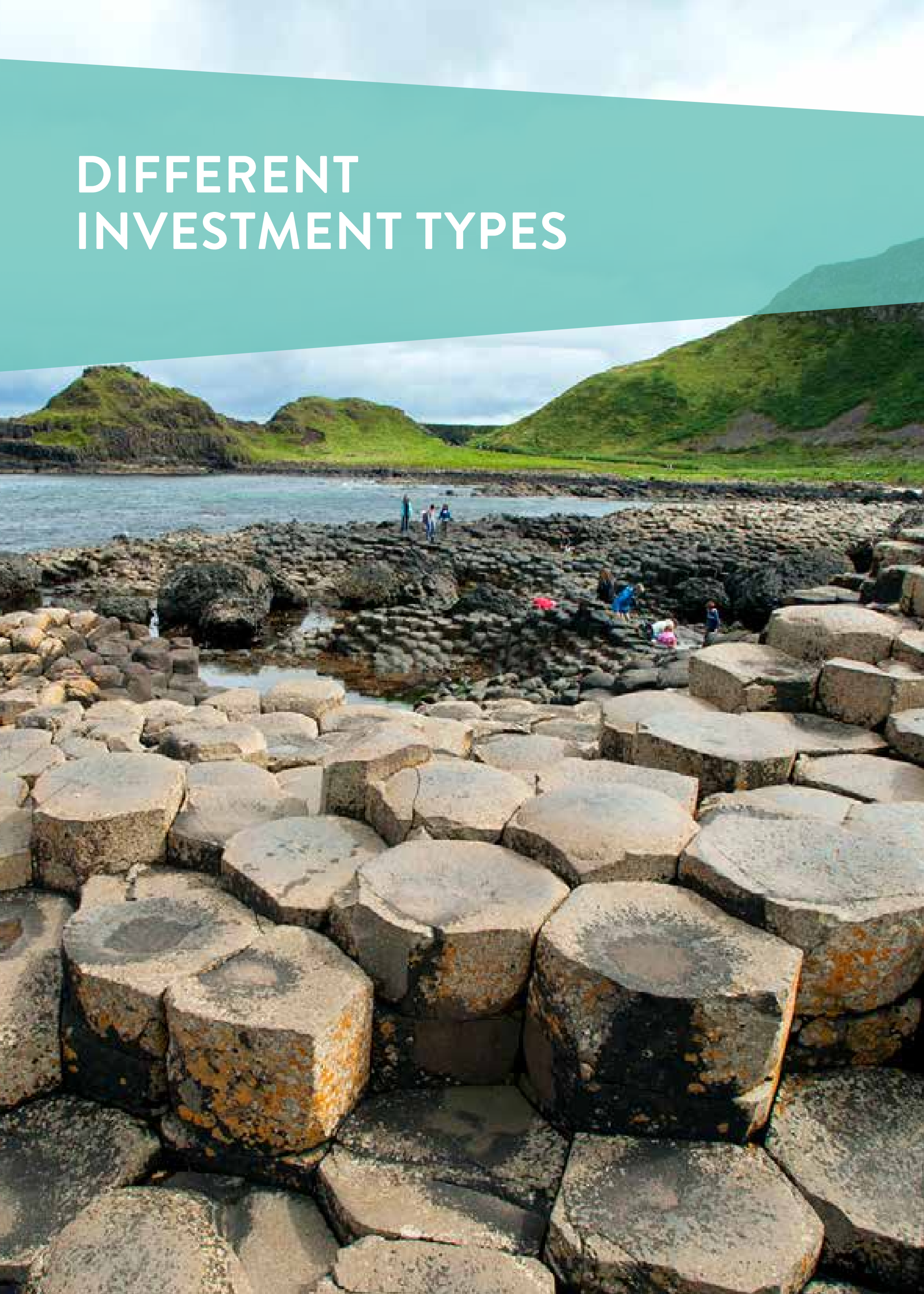
How much access to your money do you need? The longer you invest your money the better the returns tend to be. However you should consider if you might need your funds in the short-term and factor this in.

Question 5

Consider your long-term goals - how comfortable would you be with up and downs in the value of your investment?

You can then find an investment that offers you the best balance of all criteria.

DIFFERENT INVESTMENT TYPES



SECTION 3

THE MAIN OPTIONS ARE:

Cash
With cash, your money is placed in deposit accounts.

Bonds
These are government and corporate bonds or loans.

Property
Usually refers to investing in commercial property but can include residential property.

Equities (Shares)
Company shares traded on stock markets.

Commodities
These track the performance of investments such as oil, copper, gold, coffee, beef and more.

Alternatives
Alternatives refer to investing in non-traditional assets and/or strategies.

As well as these key investment areas or asset classes, there are also investment funds as follows:

Mixed or Managed Funds
An investment fund with traditional asset classes such as equities, property, bonds and cash.

Multi-Asset Funds
An investment fund with traditional asset classes as well as alternative/assets and/or strategies.

Sector Specific Funds
A fund investing exclusively in one equity sector such as energy or technology.

CASH INTO DEPOSIT ACCOUNTS

DEPOSIT ACCOUNTS

Putting your money in a deposit account offers you easy access and low risk but also in the current environment quite low return as ECB rates are at an all-time low.

A term deposit involves leaving a sum of money in a bank account for a set period of time, ranging from months to up to five years or more. Most providers offer a sliding scale interest rate whereby the longer the deposit period the higher the rate offered.

A demand deposit is an account where you can leave a sum of money, usually for as long as you like, but have almost instant access to it. Demand deposit accounts tend to pay lower interest rates than other deposit accounts and should typically be used as an 'emergency' fund or if you always want to have 'instant' access to your money.

WHAT TO LOOK OUT FOR WHEN CONSIDERING TO INVEST CASH INTO DEPOSIT ACCOUNTS

- ✔ Low risk
- ✔ Your funds before inflation will not go down in value
- ✔ Easy access if you need it
- ✖ Inflation can outweigh the return you get
- ✖ Lower growth potential compared to other investment types
- ✖ Usually not suitable for very long-term Investments

DEMAND DEPOSITS TEND TO PAY LOWER RATES SO IT'S BEST TO USE THESE WHEN YOU WANT INSTANT ACCESS TO YOUR MONEY.

Short-term deposit accounts give access to funds in case of an unplanned-for event, while there are better potential returns from long-term investments. You could have a mixture of both short-term cash deposits and longer term deposits and investments.

INVESTING IN BONDS

Bonds, sometimes known as Gilts, are generally classed as a lower risk investment. They are rated to indicate their level of risk, the higher the rating, the lower the level of risk. Essentially a bond is a promise by a government or a company to pay back a loan, with interest, at a future time. Bonds also pay out an annual income, not unlike a share dividend or interest payment called a coupon – essentially a loyalty reward to bond-holders.

Once issued, bonds can be bought and sold on the bond markets. So, a bond issued by a company can become popular if, for example, that company begins to outperform expectations – obviously the reverse is also true.

Since much of the return generated by bonds is dependent on the interest rate paid, the value of bonds can fluctuate as market interest rates change.

Principally because bonds are typically offered by governments and large corporations, bonds are seen as a relatively safe place for your money compared to other asset classes such as equities, property and commodities. This is not to say that bonds are completely free of risk. In the worst case scenario a company can default on a bond and fail to pay back the value of the bond or any interest payments due.

Bonds do not typically provide the same level of growth potential as shares or property, however, they tend to be less volatile.

WHAT TO LOOK OUT FOR WHEN CONSIDERING TO INVEST IN BONDS

- ✔ Annual income and potential capital growth
- ✔ Easy access to funds
- ✔ Lower risk compared to shares or property
- ✖ Growth subject to interest rate changes
- ✖ Less growth potential than shares or property
- ✖ Changes in ratings of government and corporate bonds

THE LOWER RISK NATURE OF BONDS CAN COME AT A PRICE: GROWTH OVER THE LONG-TERM.

A balanced portfolio should include some bonds. They tend to offer high levels of both security and liquidity and sit well within a portfolio that includes shares and property

INVESTING IN PROPERTY

Property has traditionally had a big appeal for investors. At its most basic level, investor's money is used to purchase something very tangible – bricks and mortar.

Investing in property can help diversify the risk in a portfolio by spreading your risk. Like shares it offers the prospect of capital growth and an income stream from rents. It is important to note that when investing in a property, either directly or through a fund this could involve some degree of borrowing which will increase the risk involved.

Commercial Property

As the global economy continues to recover, there has been an increase in the number of investors looking to invest in the commercial property sector. Ireland, in particular, has seen a steady rise in both the number and the type of investor looking to invest in Irish commercial property. The are two ways for you to benefit:

1. Rent - as an economy starts recovering, companies often look to acquire new premises to set up or expand their businesses. If rents (which are a key part of the return to an investor) pay more than the cost of ownership, you are making a real return.
2. Property value – if demand for commercial property is greater than supply, the value of those properties is likely to rise. If they are sold at a profit, you make a capital gain on the property.

WHAT TO LOOK OUT FOR WHEN CONSIDERING TO INVEST IN PROPERTY

- ✔ Invest directly or through a fund
- ✔ Potential income from rents and capital growth
- ✔ Good long-term growth potential
- ✖ Maintenance and insurance costs can be high
- ✖ Affected by interest rate and market changes
- ✖ Can be difficult to access your money because it takes time to sell property

WITH PROPERTY, INVESTORS' MONEY IS USED TO PURCHASE SOMETHING TANGIBLE – BRICKS AND MORTAR.

You could include some property as part of a balanced portfolio of investments, so that in the event of a downturn in the property market, you are not over-exposed.

INVESTING IN SHARES

Shares, also known as equities, have been one of the most popular choices for investors over the years.

As a shareholder, investors feel almost personally involved in the company's fortune. It's also relatively easy for investors to monitor the performance of the company and its share price.

Shares potentially provide a return in two ways – a dividend often paid twice a year by the company to its shareholders and the prospect of capital growth in the share price.

They can also give good potential returns over the shorter term, but this short-term approach involves a higher degree of risk.

When is the right time to buy shares?

This is impossible to predict. There have been major and quite sudden global share market falls in the 1930s, 1970s, 1980s and 2000s. However, on each occasion stock markets recovered their losses within a matter of years and went on to reach new highs. 'Time' rather than timing is a more important consideration when investing in shares.

It's important that you give your investment enough time to help deliver a higher growth potential.

WHAT TO LOOK OUT FOR WHEN CONSIDERING TO INVEST SHARES

- ✔ Very good growth potential over medium to long-term
- ✔ Manage risk by having a range of company shares in different economies or sectors
- ✔ Relatively easy access to funds
- ✖ Can fall in value in the short term
- ✖ Higher risk profile than cash, bonds or property

SHARES TEND TO GIVE HIGHER POTENTIAL RETURNS OVER THE LONG-TERM THAN OTHER LOWER RISK ASSET CLASSES BUT CAN ALSO EXPERIENCE HIGHER POTENTIAL FALLS PARTICULARLY IN THE SHORT TERM.

You could look to include a diverse range of shares within a balanced portfolio which also includes property, bonds and cash. A mixed equity portfolio could help cushion a downturn or change of sentiment in any single sector, market or economy, while ensuring that there is also enough scope for potential growth.

INVESTING IN COMMODITIES

Commodities are tradable items such as oil, gas, copper, zinc, gold and wheat, which are usually produced by a multitude of suppliers. The price can fluctuate depending on the demand for, and supply of the commodity. For instance, if the supply of oil remains constant while demand increases, its price on the commodities market will rise.

Commodities are a more specialised area of investment that can often perform at times when more traditional assets do not. This means they can often be an effective way to diversify investment risk in a fund, protect against inflation and provide some protection when more traditional assets fall.

Commodity prices can experience lots of ups and downs and are usually linked to longer term economic trends driven by global supply and demand.

WHAT TO LOOK OUT FOR WHEN CONSIDERING TO INVEST IN COMMODITIES

✔ Good short and medium term investment

✔ Easy fund access

✔ Can diversify risk in a portfolio

✖ Very risky

✖ Difficult to understand

✖ Can be expensive

COMMODITIES CAN OFTEN PERFORM WELL WHEN OTHER ASSET CLASSES DO NOT.

Commodities on their own should only be considered by investors who are very comfortable with the risks involved. Investors tend to ensure that commodities are only included as part of a very diverse investment portfolio. They can provide returns at times when other parts of the portfolio are not and vice versa.

INVESTING IN ALTERNATIVES

Alternatives is a very broad description for investing in a non-traditional manner. This can either be in terms of what you invest in or how you invest in it. Within alternatives, you can have different types of assets to the traditional managed fund asset (shares, property, bonds and cash), for example, commodities, which perform at times when more traditional assets do not. Another example of an alternative asset would be Emerging Market equities.

Alternatives can also mean investing in non-traditional strategies. These strategies aim to give positive returns regardless of whether markets are rising or falling. These are known as absolute return strategies and can offer investors lower risk, lower return. There are many different types of alternative investment strategies which can be used with traditional assets like equities or non-traditional assets like commodities.

In general, investing in alternatives can be an effective way to diversify investment risk in a fund, and in some instances, protect against inflation or provide some protection when more traditional assets fall.

WHAT TO LOOK OUT FOR WHEN CONSIDERING TO INVEST IN ALTERNATIVES

- ✔ Good medium/long-term growth potential
- ✔ Easy fund access
- ✔ Diversifies investment risk within a portfolio
- ✖ Difficult to understand
- ✖ Typically more expensive

ALTERNATIVE ASSETS/ STRATEGIES CAN BE A VERY EFFECTIVE WAY TO DIVERSIFY AND SMOOTH THE RETURNS IN A PROFILE.

A balanced portfolio could include some Alternative assets along with Bonds, Property and Shares. As with any asset, it would be recommended not to put all of your investments just into the Alternatives basket alone.

BLENDING INVESTMENT OPTIONS TOGETHER

SHARE THE HARD DECISIONS WITH THE EXPERTS

There are many, different types of investments. For most people it would be impossible to examine the detail of each and every investment that's available. But the good news is you probably don't have to.

This is because, with pooled funds, such as multi-asset funds, professional investment fund managers have already done most of the hard work. These are some of the biggest and most popular forms of investment. They are run by professional investment fund managers who are aiming to ensure that their fund performs in line with expectations.

It is these fund managers' jobs to put your money to work with the aim of investing it in the right type and mix of assets, such as shares, bonds, cash and property.

You can also invest in specialist managed funds which only invest in one asset type such as property or shares or others that invest in non-traditional assets like absolute return funds.

The next section looks at one type of pooled funds, multi-asset funds - as an example. This is general information and is not intended as a guide to any specific fund.

Multi Asset Funds offer

Professional Management

Because your money is pooled with that of other investors, you get access to investment opportunities and growth potential which could otherwise be beyond your reach. Plus with this type of fund the investment manager uses their expertise and systems to continuously monitor the performance of the fund and adjust its investment mix with the aim of reducing risk while delivering on investment expectations. The fund manager also arranges and completes the transactions that drive the fund and deals with administration.

Smoother Returns

It is possible to achieve smoother long-term returns through diversification. This means, investing your money across a wide range of investment asset classes as well as the opportunity to spread your risk. This is useful if one particular asset class was to fall, such as a sudden drop in the stock market.

Risk Management

Multi asset fund managers monitor risk and have access to a range of strategies which aim to manage risk effectively. Rebalancing funds quarterly to make sure that a stated risk profile is delivered, is one such example.

STARTING YOUR JOURNEY - 3 STEPS TO COMFORTABLE INVESTING

STARTING YOUR JOURNEY - 3 STEPS TO COMFORTABLE INVESTING

SOME THINGS IN LIFE CAN MAKE YOU FEEL UNCOMFORTABLE. HOWEVER INVESTING YOUR HARD-EARNED MONEY SHOULDN'T BE ONE OF THEM. GET COMFORTABLE INVESTING STARTING WITH THESE 3 EASY STEPS.

Step 1
GET YOUR INVESTOR PROFILE

Find out what type of investor you are by doing our investor profile test. Don't let the word "test" put you off. It's just some straight-forward multiple choice questions. These help us to assess things like your attitude to investing and the types of investments you're more comfortable with.

By doing this quick test, you'll know what type of investor you are or if investing just isn't for you.

Step 2
MATCH TO THE FUND THAT SUITS

This step matches your investor profile to the Irish Life MAPS® fund that could suit you best. Irish Life MAPS is our range of Multi-Asset Portfolio funds on our investment plans.

Each Irish Life MAPS fund has been developed to suit the needs of different types of investor profiles.

Step 3
SEE THE EXPECTED RANGE OF RETURNS

Steps 1 and 2 show you what type of investor you are and what Irish Life MAPS fund could best meet your needs.

Now we can show you the expected range of returns for that fund over different time periods. So you can see that investments can fall as well as rise but you also know what range of returns you could expect from your Irish Life MAPS fund.

At irishlife.ie/investments we can show you the expected range of returns for each of the Irish Life MAPS funds.

Get comfortable investing

Start your journey today at irishlife.ie/investments.

WHAT TO LOOK OUT FOR

WHAT TO LOOK OUT FOR WHEN INVESTING

Investing has always been a popular way of getting money to work harder, so it's no surprise that there's a big variety of investment products. You can be sure that there is an investment product or fund that matches your financial situation and ambitions and fits your risk profile.

The only person who can make the ultimate decision about where and how to invest your money is you. So making a well-informed decision is key to helping make a successful investment.

There are many places and providers that offer investment advice. It's best to look to sources you trust and who have a proven track record in successfully advising investors. It's also important that the people advising you are properly authorised to give you advice on investing or building an investment plan.

UNDERSTANDING THE WORLD OF INVESTING

At first sight, the investment world can appear to be a confusing and uncomfortable place. Charts, graphs, tables and percentages can leap out at you from all angles and it can sometime feel unfamiliar.

But, simply by getting to grips with a little of the language and the ways of the investment world, you'll gain a far better understanding of how it works and how you could benefit from it.

HOW DO I CHOOSE THE RIGHT PERSON TO HELP ME FIND MY WAY AROUND?

Professional advice is particularly important where picking the product and the right investment manager is crucial. With the right advice and guidance, a professional adviser can guide you along your investment journey, and offer one-to-one advice every step of the way.

HOW WILL I KNOW WHEN IS THE BEST TIME?

There is no sure-fire way of knowing when is the right time to invest. The most successful investors are usually those who take a long-term view. Their money stays invested during both the good times and the bad, and because, over time, the good times can generally outweigh the bad, long-term investors tend to come out on top.

Many successful investors also tend to make regular investments, irrespective of market conditions, giving them the comfort of knowing that they're unlikely to miss the very best times to make an investment as these can be crucial to increasing your potential longer term success.

HOW LONG SHOULD I INVEST?

Investments have tended to give a better return over the long-term compared to cash deposits. This is because your money has more time to benefit from the growth of local and global economies and the effect of compounding: where returns added to capital generate even greater returns. However, you should look to invest for at least 5 years so that you benefit from potential compounding and to increase the likelihood that market highs should get to outweigh the lows.

WITH SO MANY POSSIBLE ROUTES TO TAKE, HOW WILL I KNOW WHICH IS THE RIGHT ONE?

You've already made a vital first step by looking through this guide. The more advice you take, from the right sources, the better informed you'll be.

Talk to your Financial Broker or Adviser today about your money and how you would like to invest it.

INVESTMENT JARGON-BUSTER

ASSET MANAGEMENT
The practice of managing a financial asset, such as a property fund or share fund, to maximise income, minimise risk and generate the expected return.

BOND FUND
This uses pooled funds from a number of investors to purchase bonds and offer investors a stable, low risk income.

CAPITAL GROWTH
In gross terms, this is the growth in value of the investment.

CASH
Cash refers to investing into a deposit account.

COMMODITIES
Commodities are tradable items such as oil, gas, copper, zinc, gold and wheat, which are usually produced by a multitude of suppliers.

DIVIDEND
This is how corporate profits are paid out to shareholders – either in cash or through the issuing of more shares, or a mixture of both.

DIVIDEND YIELD
This is the annual return you get from holding a share or unit trust, expressed as a percentage of the share or unit trust price.

EMERGING MARKETS
Share markets in newer economies such as those of Asia and South America. Often fast-moving they can offer strong returns but the trade off is increased risk.

EQUITY FUND
A fund investing in company shares.

FIXED-INCOME BOND
A debt bond issued by a company or government.

FUND PRICE
For mutual funds this is the total value of the portfolio, less its liabilities. Liabilities can include the transactional cost of disposing of assets to realise their value.

FUTURE
A future is the contract for the future sale or purchase of an asset where the value is set in advance, sometimes irrespective of the prevailing trading conditions at that future date.

For information on the types of investments available from Irish Life please see irishlife.ie/investments.

HEDGING
An investment strategy that protects your asset from price or market falls.

INVESTMENT FUNDS
Investors' money buys units in a fund which then invests in a portfolio of assets, such as shares, currencies, properties and others.

ISSUE
New company shares which are issued to the stock market and/or to existing shareholders.

LIQUIDITY
The degree of access which an owner has to the value of their asset. Cash has the highest liquidity, whereas property, which must be sold on the market to realise its value, has much lower liquidity.

MIXED OR MANAGED FUNDS
An investment fund invested in different investment classes such as property, bonds and shares.

MULTI-ASSET FUNDS
An investment fund with multiple investment classes (such as bonds, equities or property) but also likely to feature multiple investment managers and multiple investment strategies.

MUTUAL FUND
Pooled funds from a number of investors that is used to buy assets such as shares, properties and commodities and managed on their behalf by professional fund managers.

OPTION
The right but not the obligation to buy or sell an investment at an agreed price at an agreed time.

PORTFOLIO
Quite simply, a collection of investment assets, such as cash, bonds, shares, property and others to create a portfolio.

PRICE EARNINGS RATIO (P/E)
The value of a share divided by the forecasted profit (earnings) on the share.

RISK
The chance that an investment's actual return will be lower than expected. Most people refer to it as the likelihood of a fall or the size of a fall that could take place.

SHARE (EQUITY)
A part-ownership in a company which entitles the owner to a share of the profits and the capital value attached to the share.

VOLATILITY
The extent to which an investment or market is subject to rises or falls, usually in the short term.

For information on the types of investments available from Irish Life please see irishlife.ie/investments.

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Irish Life

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